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ABSTRACT

The economics unit is presented to assist apprentices to acquire a general knowledge of economic issues and problems as they relate to working for a living. The unit consists of five modules: (1) how the American economic system operates, (2) current economic problems and alternative economic systems, (3) current issues relating to work and working, (4) the American labor force--who is included and how it has changed, and (5) the demand for your labor--where it comes from and what happens when it changes. Each module contains information on the following areas: objectives, references (textbooks), content, instructional suggestions (including discussion topics and suggested resources), and detailed background information. (EC)

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ISSUES IN ECONOMICS

UNIT 5

A CORE CURRICULUM OF RELATED INSTRUCTION FOR APPRENTICES

The University of the State of New York/THE STATE EDUCATION DEPARTMENT
Bureau of Occupational and Career Curriculum Development Albany, New York 12234
1976

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FOREWORD

Apprentice training is a systematic way of providing the skilled workers necessary to supply current and future employment demands. Related instruction is an integral part of a planned apprentice training program — ranking in importance with the skills learned on the job. The related instruction provided to apprentices helps them better understand the trade and to know *why* things are done as well as *how* they are done.

A *Core Curriculum of Related Instruction for Apprentices* was designed to provide relevant instruction to apprentices preparing for a variety of trades. It includes the general topics appropriate to all who will be taking their place in the national workforce. Therefore, presentation of related instruction to a mixed group of apprentices becomes a feasible and manageable activity which helps fulfill the legal requirement for this component of a full apprentice program. It leaves the trade-specific information to be provided as the need arises.

The core curriculum is developed in major units or general topics. Modules within each unit are designed as self-contained instructional packages which can be selected for presentation to meet individual and program needs. The objectives of each module are expressed in terms of expected terminal performances which each apprentice should exhibit as a result of instruction. This allows any apprentice who is able to accomplish the student objectives to move on to another module. The program provides sufficient flexibility for the development of instruction to meet the specific needs of a variety of apprentices with differing backgrounds and expectations.

This unit, *Issues in Economics*, is one of nine units that have been developed to provide the apprentice with a working knowledge of current economic problems and issues relating to earning a living. The Administrative Considerations and Instructional Considerations which will be helpful to administrators and journeymen/instructors in developing and conducting an approvable course in related instruction are contained in Unit I, Introduction to Apprenticeship. It is suggested that reference to that unit be made by all who will instruct this unit.

Content relating to the core curriculum was developed under grant at the New York State School of Industrial and Labor Relations, Cornell University, Ithaca, under the supervision of Professor Felician F. Foltman. Assistance relating to content was provided by Charles A. Stebbins, Associate in the Bureau of Trade and Technical Education, with the concurrence of Carl G. Benenati, Chief, who is responsible for the approval and conduct of related instruction programs for apprentices. The material developed was adapted to a curricular format and prepared for publication by Nelson S. Maurer, Associate in the Bureau of Occupational and Career Curriculum.

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UNIT 5

MODULE 1

HOW THE AMERICAN ECONOMIC SYSTEM OPERATES

Explains the five basic questions every economy must answer and the way in which the United States economy has chosen to answer them

OBJECTIVES

At the completion of this module students will be able to:

1 *Enumerate the reasons why well-informed citizens should study economics and the problems, limitations, and pitfalls that might be encountered in such a study*

2 *Explain the basis for the field of economics and the five questions any economy faces*

3 *Explain the type of economy we have in America today and the goals of that economy*

4 *Enumerate the principal functions of government, households, and businesses in our economic system*

5 *Explain the mechanics of supply and demand in the American economy*

REFERENCES

(A) International Correspondence Schools. *How our economic system works.* Scranton, Pa. The Corporation. n.d.

(B) McConnell, C. R. *Economics;* 5th ed. New York, N. Y. McGraw-Hill Book Co., Inc. 1972.

(C) Samuelson, P. A. *Economics;* 9th ed. New York, N. Y. McGraw-Hill Book Co., Inc. 1973.

CONTENT	INSTRUCTIONAL SUGGESTIONS
Importance of Studying and Understanding Economics (1)	Discuss with students the reasons for studying economics. (Ref. B; Ref. C)
• Common Problems and Pitfalls Encountered in Studying Economics (1)	

BACKGROUND INFORMATION

There are at least two reasons for an apprentice to study economics. First, many of the day-to-day occurrences in our society have important economic aspects. Also, economics is closely tied to our political institutions. Thus, to make intelligent decisions at the polls requires that a person have at least some knowledge of economics. Second, many apprentices are or will be businessmen and economics has great practical value in business. An understanding of how the economic system operates and especially how it affects a firm helps a businessman to make better decisions.

There are three important reasons for having a firm grasp of the terminology commonly used in economics. One, the terms used in newspapers and magazines or on radio and television are sometimes charged with emotion. The writer or spokesman or whomever he represents often has an axe to grind or a cause to support and

CONTENT	INSTRUCTIONAL SUGGESTIONS	BACKGROUND INFORMATION
• Common Problems and Pitfalls Encountered in Studying Economics (1) (cont'd)		may slant his terminology in an attempt to win over the reader or listener. Two, economists often use two or more different terms to describe the same thing. If a person is not familiar with the definitions being used, he may believe there is a disagreement in two views, when in fact there is none. Three, a word may have a different meaning when used by an economist than when used by the man-on-the-street. For example, economists define investment as the purchase of machinery or equipment or the construction of a new building. On the other hand, Joe Citizen associates the same word with the strictly financial transaction of swapping money for a piece of paper, such as a stock or a bond. Unlike the case in many other fields, people first studying economics often begin with what they feel is a good knowledge of the subject. This is because economic topics commonly arise in everyday conversation. Thus, the task of learning economics is made more difficult by the fact that many of the incorrect things learned earlier must actually be unlearned before going on. There is a fallacy that what is true for the individual is necessarily also true for the group. Another pitfall is ideas that are valid during a period of prosperity may not be valid during a depression. It is very important to beware of the notion that simply because one event follows another that the first caused the second. In short, one seldom encounters simple, straightforward cause-and-effect relationships in economics, and thus, one must look carefully before concluding that event B is caused by event A. Often what people anticipate will happen has a profound influence upon what actually does occur. For example, if people fear an inflation is coming, they may purchase more than they normally would to beat the price rise. However, in so doing they bid prices up, thereby causing the very inflation they feared to occur. Sometimes there is a conflict between logical explanations and actual practice. In other words, logic must be placed after business or social practice.

CONTENT	INSTRUCTIONAL SUGGESTIONS	BACKGROUND INFORMATION
• Common Problems and Pitfalls Encountered in Studying Economics (1) (cont'd)		Many people see themselves as economic geniuses, just as many feel they are political geniuses. The problem is that whereas in medicine ideas can be verified or disproved in the laboratory, no such clearcut testing area exists in economics. Further, persistent searching and careful manipulation can produce statistics that will prove just about any point a person might like to make. Thus, a person must be wary of simple answers to complex questions, for if such answers actually existed, the problems under consideration would probably already have been solved.
Basis for Field of Economics (2) • Fundamental Facts (2)	Use the summaries, questions, and study suggestions at the end of the chapters of Reference B and C to reinforce the material covered in this topic. (Ref. B; Ref. C) Use tapes such as "Economics for Non-economists" to reinforce the material covered in this topic. Tapes may be ordered from the National Center for Audio Tapes, U. of Colorado, Boulder, Colo. 80302.	The study of economics is based on two fundamental facts. The first is the desire to obtain and use goods and services which provide us with pleasure and satisfaction is virtually unlimited or insatiable. That is, as soon as we have obtained those things we desire we find that there is a whole new set of products and services (be they completely new or simply more luxurious models of what is presently owned) to take their place. Some of these goods and services serve biological needs, but many others are influenced by the tastes and customs of those around us, and over a period of time these change. The ultimate objective of all economic activity is to satisfy these different material desires. The second is economic resources are scarce or limited. The resources referred to include land, raw materials, equipment and factories, labor, and an entrepreneur with the ability to put it all together to produce the desired goods or services. These resources are often called the factors of production. Regardless of what term is used, they all have one thing in common — they are scarce or limited in supply. While many countries, including our own, possess very large quantities of land, minerals, machinery, equipment, and labor, the supply of each is limited.
• The Concern of Economics (2)		Economics can be said to be concerned with doing the best with the resources we have. Since, as we have just noted, our resources are limited while our wants are virtually unlimited, the next best thing to hope for is to achieve the greatest amount of satisfaction with the resources available. What is sought then is the efficient use of scarce resources.

CONTENT

- The Characteristics of Economic Efficiency (2)

- Fundamental Questions (2)

INSTRUCTIONAL SUGGESTIONS

BACKGROUND INFORMATION

Economic efficiency is attained when unemployment is avoided and full production is attained. The first is the problem of providing jobs for all the persons willing and able to work, while the second is the problem of using employed resources in the most efficient way possible.

Every economy from the most primitive tribe to a complex society must answer the following five questions. The only difference is in how each chooses to answer the questions with the resources at hand.

- What goods and services are to be produced and in what amounts?

  In deciding this question the society must also decide between more now or more later. To produce more later requires that resources be devoted to research and expansion of plant and equipment, which means there is less available for present consumption. On the other hand, cutting back on research and plant expansion means more current output at a sacrifice of future output.

- How should production be organized to manufacture those goods and services?

  Society has to decide how best to channel its resources into industries producing what is wanted and to decide what firms will do the producing and what is the most efficient combination of resources for each firm.

- How should the output be divided among the various consumers and industries in the society?

  These questions involve not just economics but politics and ethics as well.

- How can society obtain and maintain full employment of its available resources?

  This involves two related subquestions: the willingness of society to use its human and property resources and its

CONTENT	INSTRUCTIONAL SUGGESTIONS	BACKGROUND INFORMATION
• Fundamental Questions (2) (cont'd)		ability to do so. The answer to this question is in large part determined by the mores and customs of a particular society. It also involves maintaining high and stable levels of employment because involuntary idleness is very inefficient. This is a serious problem in a modern, complex society, especially one with an expanding population, which means more and more jobs must be found each year to sustain full employment. • How can society maintain the flexibility needed to adapt to change? The consumer tastes change, technology changes, and the supply of resources changes; indeed, the basic feature of a modern economy is change, and an efficient economy must be able to react to these changes.
The American Economy and Its Goals (3) • Mixed Capitalism (3)	Discuss with students the American economy and its goals. (Ref. A; Ref. B; Ref. C) Invite representatives of business, labor, and government to express their viewpoints on how well the country is achieving its stated economic goals. Use a filmstrip to assist in presenting the topic of the American economy. Such a filmstrip may be purchased from Listening Library, 1 Park Ave., Old Greenwich, Conn. 06870.	The American economy falls somewhere between the two extremes of a purely capitalistic or laissez-faire economy (characterized by no governmental interference with business) and a governmentally planned or directed economy. In the former the pricing system transmits the decisions of consumers to goods'producers with the consumers' dollars acting as votes which businessmen must heed if they are to remain profitable. Competition guarantees that resources will be utilized as efficiently as possible to satisfy consumer desires, because consumers will buy from whoever is offering the lowest price. At the other extreme, the government sets the production goals for the economy which may or may not accurately reflect the desires of the people. The government then directs businesses and workers toward fulfilling these goals. All present-day economies represent some mix between government direction and free markets, but they differ widely on the particular. The Soviet economy leans very much toward a planned economy while the U.S. still relies for the most part on a market economy. As a rough indication of the latter, in peacetime about four-fifths of the total output of the economy is produced by the market system, with only the remaining one-fifth being provided by the government. Thus, the term "mixed capitalism." While the

CONTENT	INSTRUCTIONAL SUGGESTIONS
• Mixed Capitalism (3) (cont'd)	
• Goals of American Capitalism (3)	
Functions of Government, Households, and Business in the Economic System	Discuss with students the functions of government, households, and businesses in this country. (Ref. B)
• Basic Economic Functions of Government (4)	Use audiovisual aids such as the filmstrip, "Big Government and Private Enterprise in the 70's"

BACKGROUND INFORMATION

economy is primarily capitalistic, government does significantly assist and modify the system.

The following goals of American capitalism, while widely held, are not necessarily universally accepted in our society:

- Economic growth to have an ever increasing standard of living
- Full employment to provide suitable jobs for all who are able and willing to work
- Price stability to avoid the pronounced upswings or downswings in the general price level
- Economic freedom for businessmen, workers, and consumers
- Equitable distribution of income to avoid having persons in poverty and persons in luxury during the same time period
- Economic security for the aged, disabled, chronically ill, and otherwise handicapped.

Three points must be made about these goals. First, each one involves a problem of interpretation. For example, what is an equitable distribution of income or what characterizes pronounced changes in the general price level. Second, certain of the goals are complementary insofar as when one goal is realized, others may also be achieved. Third, some of the goals may be conflicting or not achievable at the same time. A good example is the problem of the first two goals conflicting with the third goal.

There are five economic functions undertaken by the government to assist the private sector in attaining the goals of full employment and full production. These functions include:

CONTENT	INSTRUCTIONAL SUGGESTIONS	BACKGROUND INFORMATION
• Basic Economic Functions of Government (4) (cont'd)	to assist in presenting the topic. The above filmstrip may be purchased from Listening Library, 1 Park Ave., Old Greenwich, Conn. 06870. Use the tape, "The Role of Government in the Economy," to assist in presenting the topics of basic economic functions of the government. The tape may be purchased from the National Center for Audio Tapes, U. of Colorado, Boulder, Colo. 80302.	• Provision of a legal and social framework • Maintenance of competition • Provision of a minimum standard of living • Provision of social goods and services • Control of the business cycle to prevent wide fluctuations
• Role of the Household Sector (4)		Households play a dual role in the American economy. On the one hand, they supply all the economic resources in one way or another, while on the other hand they are the major spending group in the economy. Households contribute resources in the form of labor and savings and constitute the principal demand for goods and service through their spending. With regard to the distribution of income, wages and salaries account for approximately 70 percent of the national income, the rest being divided between corporate profits, proprietors' income, interest income, and rental income. The distribution of this income is rather unequal in this country, both between individuals and households and between different geographic regions. Households divide their income between consumption, personal taxes, and savings. Recently the percentages for each have been 81 percent spent on consumer goods, 13 percent on personal taxes, and 6 percent on savings. Both comsumption and savings tend to vary directly with income.
• Dual Role of Business (4)		Like households, businesses play two significant roles in the American economy. They supply over 85 percent of the goods and services produced in this country and at the same time purchase

CONTENT	INSTRUCTIONAL SUGGESTIONS	BACKGROUND INFORMATION
• Dual Role of Business (4) (cont'd)		or hire the bulk of the available resources to produce these goods and services. Many industries in our economy are dominated by a small number of large companies. There is disagreement over the desirability of such bigness. One side feels that bigness is necessary to achieve efficient production through economies of scale, while others contend that too many American businesses have acquired the power to dictate what is produced and how much it will cost, which violates two of the rules of capitalism.
Operation of Supply and Demand (5)	Use simple graphic illustrations to show the operation of supply and demand. (Ref. B; Ref. C)	Demand refers to a schedule that reflects the willingness of a buyer to purchase a given product at each of the prices at which it might be sold during a specific period in time. Consumers, being rational purchasers, will generally buy more of a product at a low price than they will at a high price. Since price and quantity tend to move in different directions relative to one another, demand graphs are a downward sloping curve. This refers just to changes in the quantity demanded at a point in time. Changes in one or more of the factors which determine demand, such as consumer tastes, income, expectations, and the prices of other goods, can cause the entire demand curve to shift. Such a shift out represents an increase in demand, while a shift in represents a decrease.
• Demand (5)		
• Supply (5)		Supply is a schedule of the amounts of a product producers would be willing to offer at each possible price. Again, being intelligent beings, producers will offer more of a product at a higher price than at a low one. As a result, the supply curve slopes upward. As with demand, the total supply curve can shift in or out depending on whether there is an overall increase or decrease in the supply of a good or service. Such an increase or decrease can result from a number of factors, including a change in the way the product is produced or a change in the number of sellers in the market.
• How Supply and Demand Work Together (5)		Competition among both buyers and sellers will cause supply and demand to adjust the price of a good or service to a point where the quantity supplied and the quantity demanded are equal. Price and quantity will then remain in equilibrium until changes in

demand or supply cause prices and quantity to adjust to a new equilibrium point. For example, if the demand for a good or service were to increase substantially, supply, for a while at least, would not be great enough to satisfy the increased demand. This would cause the price of the good or service to increase as people in essence bid for the now scarce good or service and this price increase would cause producers to produce more (because the supply curve slopes up to the right). This process would eventually result in another equilibrium point, only at a higher price. If, on the other hand, supply increased while demand stayed the same, producers would have to lower their price to attract more demand for the good or service. This would result in a new equilibrium point at a lower price. Thus, prices function as the means for adjusting selling and buying decisions to eliminate surpluses or shortages.

UNIT 5

CURRENT ECONOMIC PROBLEMS AND ALTERNATIVE ECONOMIC SYSTEMS

Presents four of the major economic problems facing both the U. S. and the world today and examines alternative economic approaches to the production and allocation of goods and services

OBJECTIVES

At the completion of this module students will be able to:

1 *Explain the basic problems of economic growth and development in underdeveloped countries*

2 *Analyze the issue of economic inequality in this country, its causes, and its cures*

3 *Enumerate the problems of race, cities, and environmental pollution*

4 *Analyze the problem of maintaining full employment, economic growth, and price stability*

5 *List the various alternative economic systems, other than mixed capitalism, in the world today*

REFERENCES

(A) McConnell, C. R. *Economics;* 5th ed. New York, N. Y. McGraw-Hill Book Co., Inc. 1972.

(B) Samuelson, P. A. *Economics;* 9th ed. New York, N. Y. McGraw-Hill Book Co., Inc. 1973.

CONTENT	INSTRUCTIONAL SUGGESTIONS
Basic Problems of Economic Growth and Development in Underdeveloped Countries (1)	*It may be desirable to obtain the services of one or more resource people for some of the topics in this module in order to have a balanced presentation of the subject matter.*
• Characteristics of an Underdeveloped Country (1)	At one time the U.S. was an underdeveloped nation and it developed to its present world position through capitalism. Ask students to comment on the ability and desire of present emerging nations to use capitalism, like the U.S. did, to go from underdeveloped countries to developed nations.

BACKGROUND INFORMATION

The most common definition of an underdeveloped country is simply one in which the per capita income is low when compared to the per capita incomes of the more developed nations. Looking at all the world as a whole, about one-fifth of its population lives in what are considered highly developed economies, that is, countries which have a per capita income of more than $1500. Just over one-eighth of the world's population is considered to fall in an intermediate group and two-thirds lives in the underdeveloped group.

CONTENT	INSTRUCTIONAL SUGGESTIONS	BACKGROUND INFORMATION
• Characteristics of Underdeveloped and Developed Economies (1)	Have students research the approaches taken by the U.S. and the U.S.S.R. to provide aid to underdeveloped countries and discuss the findings considering such items as the financial investments and the resulting political and propaganda returns. Discuss with students why the U.S. is willing to assist in the development of undeveloped countries. List on the chalkboard students' suggestions of the different kinds of aid the U.S. should offer underdeveloped countries. Ask students to comment on how their suggestions could be implemented.	There are several things that distinguish the underdeveloped economies from their more advanced neighbors. First, the citizens of underdeveloped countries are poor. Even if you make allowances for the goods which are produced and consumed at home, the annual income barely averages $100 per head which compares to the $3500 per head earned in North America. Today, 4 billion people in the world go to bed hungry every night. Second, the rate of illiteracy is very high, for example, three illiterate persons to every one that can read. Third, the life expectancy of a male is only about two-thirds what it is in the more developed nations. Fourth, while life expectancy is low, more people are living to maturity than did so 20 to 50 years ago, and thus there is more competition for what limited resources there are. Fifth, most of the people work on farms, so that few are available to work in factories or service industries to produce goods and services. Sixth, underdeveloped countries have available to them only one-sixtieth of the horsepower available to some of the developed countries. Seventh, the people of Asia, Africa, and Latin America together make up some 70 percent of the world population but receive only 20 percent of the world income. This is in contrast to the U. S. which enjoys almost 33 percent of the world income and Western Europe which enjoys 25 percent but these countries have only 6 percent and 10 percent of the people, respectively.
• Concern About the Underdeveloped Countries (1).	*The National Center for Audio Tapes, U. of Colorado, Boulder, Colorado, 80302 offers certain programs that are applicable to this topic including the following:* *"Point Four Program" - tells what this country is doing to help less developed foreign countries in the area of education.* *"Underdeveloped Areas" - a report by the AFL-CIO concerning the U.S. role in*	There are three very important reasons why persons in this country should be concerned about the underdeveloped nations, beyond the purely humanitarian drive to alleviate suffering anywhere in the world. First, there is a continually widening gap between the advanced countries and the underdeveloped countries. While the U. S. and Western Europe have doubled their per capita production over the past 25 years, the living standards in India, Indonesia, and other underdeveloped countries have improved little and may even have worsened in some areas. Second, there is an ideological war between the Communist and Western worlds in which underdeveloped countries are being urged to join one side or the other. Conditions of poverty and economic backwardness provide a fertile ground for revolutionaries. Finally, the people who live in the

CONTENT	INSTRUCTIONAL SUGGESTIONS	BACKGROUND INFORMATION
• Concern About the Underdeveloped Countries (1) (cont'd)	*the underdeveloped area of the world.* *Citizen's Committee for International Development* *Additional material relating to this topic may be available from such organizations as the United Nations and the International or American Red Cross.*	underdeveloped countries are becoming increasingly aware of the disparity between their lot and the lot of people in the more developed nations and they do not like it. Further, there are increasing numbers of these people who are insisting that something be done about it. This is in large part the result of the recent advances in communication, so that people all over the world learn about and often become envious of the material well-being of Western man.
• Keys to Development (1)		Four factors constitute the keys to development for the underdeveloped nations of the world. The first is population. Many of the underdeveloped countries' problems stem from the very rapid rate of population growth they have been experiencing as a result of improved medical technology, which has reduced the death rate while the birth rate has remained high. This growth in population has far outstripped any growth in production, especially the production of food, so that living standards have increased little if at all, and in some cases the threat to people's survival has only changed from disease to famine. Ironically, however, one of the things needed is improved health and nutrition programs, which will make the people healthier and more productive workers. Education is also needed to improve the techniques employed in both agriculture and business. One technique has been to send people abroad for education and training, but many have not returned, being attracted instead by the opportunities and better living standards of the more developed nations. The second is more extensive development and utilization of natural resources. One problem in this regard is the fact that many of these resources are becoming obsolete with the creation of synthetic substitutes. The third is the acquisition of sufficient capital goods to produce an adequate supply of goods and services. The problem is that this requires a sacrifice of current consumption and many countries are either too close to the subsistence level already to do that or wish to skip this stage and immediately have the things the more developed countries have. Finally, there is the need for technological change and innovation either through internal development or the initiation or importation of the more advanced technology from the developed countries.

CONTENT	INSTRUCTIONAL SUGGESTIONS	BACKGROUND INFORMATION
Cause and Cure of Economic Inequality in America (2)	Ask students to discuss how much income inequality there is in today's American economy and to give examples from their own experience. (Ref. A; Ref. B)	From 1945 to 1970 the differences in incomes between groups (upper, middle, and lower) have changed little. A small precentage of the wealthy still get most of the income while the lowest group is dividing the same percentage today that it did a quarter of a century ago.
• Causes (2)	There are differing opinions among experts about whether or not income inequality is good or bad. Divide the class into two equal groups and have one group present the side for income inequality and the other group give the case against income inequality. (Ref. A)	The following differences are causes for income inequality: • Property wealth The reason for the wide differences in income levels among individuals is that much of the nation's wealth is controlled by a small percentage of the population. In addition, tax loopholes that favor capital gains do not prevent one from becoming a millionaire.
	Listening Library, 1 Park Ave., Old Greenwich, Conn. 06870 offers a number of filmstrips and records or tapes relating to economic topics including the "Economics of Poverty," "Economics of Pollution," and "Economic Stabilization Policies". Write for a catalog and order blanks.	• Personal ability Examples of differences among individuals are commonplace. Some consider that a person's IQ is an important variable but just as important in the business of making money are such traits as energy, ambition, and canniness. Also, the environment tends to have some influence on one's chances for gaining economic status and success. • Training, education, and opportunity In general, the more training a person receives the higher will be his lifetime earnings. Public education has been an important factor over the last century in reducing the income gap caused by lack of training. Assistance through living allowances, low interest loans, and fellowships have widened the opportunities available for training and as a result, more and more individuals are receiving training based on ability and need instead of on economic status. The educational opportunities are broad and include training of welders, mechanics, and carpenters as well as doctors and lawyers.

CONTENT	INSTRUCTIONAL SUGGESTIONS
• Causes (2) (cont'd)	
• Programs to Alleviate Poverty and Inequality (2)	

BACKGROUND INFORMATION

- Age and health

  Problems caused by age and poor health affect all people regardless of economic status. These problems are compounded by the lack of money to obtain the necessary medical aid and also care for other family members when the major wage earner is incapacitated.

The following programs are designed to help alleviate poverty:

- Private charity

  Private charity is one method of providing assistance to the poor. It takes the form of drives for contributions (money, food, clothing), for special occasions (Christmas, fire, floods) and the maintaining of privately administered centers where food and clothing and sometimes medical assistance and shelter are available. This type of help depends on the generosity of individuals, so it is limited, localized, and uncertain.

- Health care

  Public health care and assistance is available to a large part of the population through direct services and also by transfer-payment programs.

- Food subsidy programs

  The program is designed to provide allotments of food at little or no cost to low income families and at the same time utilize surplus food supplies held in storage.

- Welfare assistance

  The program helps the poor with some direct money payments along with some transfer-payment types of aids which have to be spent according to specific guidelines.

CONTENT	INSTRUCTIONAL SUGGESTIONS	BACKGROUND INFORMATION
• Programs to Alleviate Poverty and Inequality (2) (cont'd)		• Negative income tax Interest in the negative income tax arose because many welfare programs actually penalized a person for taking a job because the loss of benefits more than offset the money made from the job and the costs of taking the job such as clothes and transportation. In place of the present welfare system, many people have proposed that a negative income tax be instituted. In such a program, a family below a defined poverty level would receive government aid or a negative income tax. If the head of the household got a job, then the aid would drop gradually as the family income rose, much like the income tax today rises gradually as the income rises. The idea is to assist the poor and also provide an incentive to get a job by not taking away all benefits when such a job is obtained. • Guaranteed jobs Other groups favor guaranteed jobs rather than guaranteed incomes. They feel there will always be people who are handicapped because of their education, skill, or experience and cannot get a job in the private sector. They should be afforded work by the government who would act as the employer of last resort. The question, of course, is whether or not the jobs provided will be of any real value and use to the individual as well as to society as a whole.
Problems of Race, Cities, and Environmental Pollution • Race (3)	*Listening Library, 1 Park Ave. Old Greenwich, Conn. 06870 offers filmstrips and records or tapes relating to this topic including the following:* *"At Issue - The Quality of Life"* *"Prejudice"* *"Problems of the Cities"* *"Urban Civilization"* *"The Embattled Metropolis"* *"Welfare Programs - Problems and Prospects"*	Many minority groups in the U.S. suffer from discrimination and lack the ordinary privileges others take for granted. From past experiences most minority groups are usually absorbed and accepted into the life of the community with some groups being assimilated faster than others. But nowhere does a classless society exist that is without prejudice and where the law of supply and demand operates freely. Assisting minority groups to improve their educational training helps to widen the opportunities available to them and this in turn improves their economic status.

CONTENT	INSTRUCTIONAL SUGGESTIONS	BACKGROUND INFORMATION
• Urban Decay (3)	*"Crisis of the Environment"* *"Squandered Resources"* *"The Trash Explosion"* *"Noise Pollution"* *"The Pesticide Problem"* *"Conservation Through Recycling - From Pollutant to Product"* *"Plight of the American Indian"*	As the cities expand, people in one area move out to another area which has more space and these vacated homes are then occupied by others who were living under more crowded conditions. Also, the government sponsors programs to redevelop the inner city and provide the people with better housing. In rebuilding any neighborhood, considerations must be given for those involved in the program so they are provided with at least as good housing as they had before. Another suggestion has been to provide rent subsidies so people can either fix up their own places or take over and improve existing structures in the area.
• Environmental Pollution (3)		The cities are only an exaggerated case of the contamination problem that is fast affecting all mankind. Man is the only animal on this planet who has succeeded in polluting the atmosphere. In fact, the climate of the whole world has changed since the industrial revolution as a result of the chemicals and other pollutants discharged daily into the air. In addition to air pollution, the environment is suffering the effects of water and even noise pollution. The main stumbling blocks to solving these problems are the facts that ending pollution will result in increasing the firms' costs of production (for pollution control equipment) and ultimately the prices of their products, the loss of jobs in companies that can not afford the cost of pollution equipment and are forced out of business, and changes in our lifestyles such as a switch from using polluting automobiles to using mass transportation. To date, the American public has been unwilling to make or accept these changes, and as long as there is no incentive, profit-making organizations will not work to solve these problems. It will be up to the government to institute and enforce rules to protect the environment and as yet it has acted very timidly.

CONTENT	INSTRUCTIONAL SUGGESTIONS	BACKGROUND INFORMATION
Maintaining Full Employment, Economic Growth, and Price Stability (4)	Ask students to respond to the following questions: • Is it possible to have full employment and stable prices at the same time? How? • If it is not possible, which items should be sacrificed? *Additional materials relating to this topic may be available from the U.S. Dept. of Labor, Labor-Management Services Adm., Washington, D.C. 20216.* *Listening Library, 1 Park Ave., Old Greenwich, Conn. 06870 offers a segment entitled, "Economic Stabilization Policies."*	To date there has been no extended period in this nation's history in which there has been full employment (5 percent or less unemployment), economic growth (4 percent or more per year), and stable prices (less than 2-3 percent inflation each year). In fact, many believe that the three are not attainable together, that you can have two but not all three, or that you can have some compromise which achieves none completely but does include parts of all three. The Phillips curve has been used for some time now to demonstrate the trade off between inflation and full employment. The essence of the relationship is that, as we move toward full employment, shortages of labor and materials cause wages and prices to rise and continue rising. To counter this, the government employs fiscal and monetary restraints which result in a slowing of inflation but an increase in the unemployment rate. Either alternative is cruel, because the ones who suffer the highest unemployment are hurt the most from inflation. As yet there is no one accepted alternative. Various compromises have been introduced but these depend on the general economic picture.
Other Economic Systems in the World Today (5) • Fascism (5) • Socialism (5)	Ask students to respond to the following questions: • Why is it worthwhile to study economies other than our own? • What dangers are encountered in comparing our economy with others? *Listening Library, 1 Park Ave., Old Greenwich, Conn. offers a segment entitled, "Comparative Economic System."* *The National Center for Audio Tapes, U. of Colorado, Boulder, Colorado 80302 provides a pro-*	Fascism is difficult to characterize economically. Politically, it usually consists of a one-man dictatorship, by a single political party, and by the disappearance of all civil rights. Economically, almost all fascist regimes are against free trade unions and give the central government a great deal of power over all facets of economic life. While socialist governments and economics vary from country to country, the elements listed below are characteristic of democratic socialism which is common in Western Europe: • The government takes over the key industries such as coal, railroads, and steel. • Coordinated planning and oftentimes production for use rather than profit is introduced in place of free markets guided by the profit motive.

CONTENT	INSTRUCTIONAL SUGGESTIONS	BACKGROUND INFORMATION
	gram entitled, "A Look at the Yugoslavian Economy" which examines an economy that is a mixture of capitalism and socialism.	• Inherited wealth and extremely high incomes are reduced through taxes, and an extensive program of social service to guarantee certain minimum standards of living is introduced. • The government gradually extends its influence through evolution as contrasted with the sudden takeovers characterized by revolution.
• Soviet Communism (5)		The Soviet Union addresses itself to the basic questions of what shall be produced, how, and for whom in a very different manner than in the U. S. First, the state owns almost all the factors of production. Workers generally toil for wages and have some choice of what occupations to pursue, although there are limits both with respect to region and industry. Second, the government decides what is to be produced. In the case of the U.S.S.R., the decisions have been to push defense and capital goods very hard and provide the consumer with whatever is left over. There are indications that this policy is easing some, and more and more resources are being allotted to consumer goods. Third, private enterprise is virtually nonexistent and the typical factory is a state-owned enterprise. Even so, the Soviets have recognized the need for introducing at least some Western business methods. Finally, the Russian economy operates mostly for the security of the state and for the future. How many goods individuals purchase and use is not determined so much by their spending decisions as it is by a government decision. One of the chief methods used is to either add a very high tax or markup to consumer goods to ensure that the public can purchase only part of what is produced.

UNIT 5 CURRENT ISSUES RELATING TO WORK AND WORKING

Explains five of the major issues concerning work today

OBJECTIVES

At the completion of this module students will be able to:

1 *Clarify the current concern about the acceptance of the work ethic and the growing desire for more satisfying and fulfilling jobs*

2 *Explain the concept of the 4-day work week and list the arguments for and against it*

3 *List the reasons workers retire early and the arguments both for and against early retirement*

4 *Identify possible future changes in work*

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CONTENT	INSTRUCTIONAL SUGGESTIONS
Work Ethic and Desire for More Satisfying Jobs (1)	Ask students to indicate whether or not the work ethic and the desire for a satisfying job is an area of concern, and if

BACKGROUND INFORMATION

Are there signs that the work ethic is being challenged, and not just by those receiving welfare? Increasing numbers of executives are retiring while still in their 50's. Many working people escape their jobs as often as possible; in nearly every industry employees increasingly are refusing to work overtime, and in the

CONTENT	INSTRUCTIONAL SUGGESTIONS	BACKGROUND INFORMATION
• Popularity of the Work Ethic (1)	it is, the importance of this concern. If there is no concern, have students indicate why they believe so many others seem to be concerned about it. (Ref. D, pp. 3-43, 113-153; Ref. E, pp. 3-13, 17-23, 29-75, 93-112) *Current articles on this topic might be found in business and labor magazines. Also, check film libraries for appropriate films on this topic.*	auto industry absenteeism is at 15 percent on Mondays and Fridays. Part of the change can be traced to changes in society, for example, organized churches (who were among the strongest supporters of work) have declined in importance, few workers can remember the depression of the 1930's, some feel automation will eventually eliminate work entirely, and welfare and unemployment benefits have made idleness less unpleasant. There is considerable evidence that Americans still want to work. Over 90 percent of all men between the ages of 20 and 54 are either employed or seeking employment, and in the last 20 years the percentage of married women who work has risen from 25 to 42 percent. Instead of taking work less seriously, many are taking it more seriously but they want more out of their work.
• Desire for Challenging, Satisfying and Fulfilling Work (1)		A survey of over 1500 American workers at all occupational levels by the University of Michigan found that pay ranked fifth in importance behind interesting work, enough help and equipment to get the job done, enough information to get the job done, and enough authority to get the job done. Job security ranked seventh. Studies indicate that what many workers want most is to feel their work and they themselves are important. They want to be freed from constant supervision and coercion, lack of variety, monotony, and meaningless tasks. This feeling is not limited to the blue collar workers; it has spread to the white collar and managerial jobs also.
The 4-day Work Week (2) • Importance (2)	Ask students to express their opinions about a 4-day work week and to indicate how they would use the 3-day weekend and what affect this would have on their jobs and families. (Ref. A; Ref. B; Ref. G)	In its most common form, the 4-day work week is simply a compressing of the 5-day, 8 hour-per-day week into a 4-day, 10 hour-per-day week. As such it reverses an almost century-long trend toward shorter workdays.

CONTENT	INSTRUCTIONAL SUGGESTIONS	BACKGROUND INFORMATION
• Points in Favor of the 4-day Work Week (2)	*Current articles on this topic might be found in business and labor magazines.*	Management claims greater productivity and lower unit costs are possible. This would result from improved morale and the accompanying reduction in absenteeism, tardiness, and quitting. It would also reduce time required for startups and closedowns. For workers, there would be more leisure time. The increase in usable leisure time would extend the weekend by 50 percent. Also, there would be a reduction in travel time and commuting expenses.
• Points Against the 4-day Work Week (2)		Health and safety concerns were the major reasons for shortening the workday from 10 to 8 hours in the first place. Fatigue, boredom, and physical, mental, or emotional strain lead to concern for poorer health and an increase in accidents. There is a fear that gradually the low productivity now associated with the last day of the week will move to the fourth day of the 4-day work week or the last couple of hours of the 10-hour day.
• Outlook for the 4-day Work Week (2)		The 4-day work week may spread, but is unlikely to dominate, like the 5-day work week. Unions want overtime for the last 2 hours. Also, some workers can not adjust their home life to long work days and others may miss the challenge of a full week of work. Some firms can not adjust production to a 4-day week. The support may shift. Although management introduced the concept, many large corporations have expressed serious reservations. Unions which were initially opposed may support it if they see it as a way of reducing weekly hours, for example, a 4-day 35 hour week. Although so far, the 4-day week is associated with compressing normal hours rather than shortening hours, in the long run it will probably mean shorter hours as well.
Early Retirement (3) • How Common? (3)	Survey students to find out: • How many have early retirement options? If they do not, how	A national survey of companies by the University of Oregon revealed that in 1968, 49 percent of all retirements from the companies sampled has been "early." That 75 percent of those responding retired early for voluntary reasons, while 25 percent retired for other reasons. More than one-half retired to enjoy

CONTENT	INSTRUCTIONAL SUGGESTIONS
• How Common? (3) (cont'd)	many believe they want or are entitled to such a choice? • How many would take an early retirement if it were available? • How would they use the extra time? (Remember that changing from full-time work to full-time leisure is not as easy as most people believe.)
• Points in Favor of Early Retirement (3)	

BACKGROUND INFORMATION

leisure. Another 20 percent attributed their retirement to the company (unhappy with company, laid off, or company expected worker to retire). Health was cited by 14 percent as the main reason for leaving. Less than 5 percent indicated they retired because they had enough money to do so and an equal number stated they planned to work in retirement. The reasons for retiring differ depending on whether retirement was voluntary or involuntary and whether the workers involved were salaried or paid by the hour.

Reasons favoring early retirement include:

- Provides quicker advancement for younger workers
- Allows individuals to enjoy more leisure time in their life span
- Allows escape from the rat race while the worker still has time and health to indulge in other pursuits, even a second career if that is what is desired
- Allows companies and unions to benefit more quickly from younger worker's energy, training, and education
- Relatively painless way of getting rid of deadwood without hurting person's pride
- Technical change requires new people with new skills sooner than in the past
- Average worker has earned his retirement before the mandatory age
- Provides a larger supply of capable persons for community and voluntary work
- Increases willingness of persons to train those under them
- Benefits individuals with health or emotional problems
- Increases morale, especially among younger workers

CONTENT	INSTRUCTIONAL SUGGESTIONS	BACKGROUND INFORMATION
• Points Against Early Retirement (3)		Many persons retiring early are quite capable of continued productive employment. There is a question of whether or not the nation as well as companies and unions can afford to put aside this talent. Reasons against early retirement include: • Increased costs from giving higher benefits at earlier ages • People should have the satisfaction of contributing as long as their capacity allows • Neither business nor taxpayers should have to support people still in their prime who elect or are forced to be nonproductive • Higher training costs for replacements (as they train to replace sooner) • Problems of filling increasing numbers of vacancies especially in skilled jobs • Increased economic and social problems as those who take early retirement try to adjust to change from work to leisure • Drop in output of economy as all people able to are not working
Future Changes in Work (4) • Work Becomes Less Important as Leisure and Consumption of Goods and Services Become More Important (4)	Discuss with students what work will be like 10 to 20 years from now and what they would like it to be in the future. (Ref. C; Ref. F)	Increasingly sophisticated machinery is assumed to take over work for more and more of the population. As machines produce more goods, people become less concerned about economic security and material needs. Most of the population become consumers with a small group of engineers building and maintaining the machinery. The idea that the importance of work in society will continue to decline is supported by statistics that show a decrease in the length of the average working day, an increase in the length of paid vacations, an increase in the number of paid holidays, an increase in the percentage of life spent in retirement, and a corresponding decrease in the percentage spent in the labor force.

CONTENT	INSTRUCTIONAL SUGGESTIONS	BACKGROUND INFORMATION
• Full Employment for All Who Wish to Work (4)		Rather than putting people out of work, automation creates as many jobs as it destroys. The development of less developed countries creates a need for U. S. goods and services and thus a demand for U. S. labor to produce them. The desire for work and the income it brings is more widespread than the demand for income without work. Just achieving this country's goals generates high demand for labor. Government and private services increase as less people are needed to produce goods.
• Changes in Types of Jobs as a Result of Changes in Production and Distribution of Goods		In the future, jobs will change because of: • The need for highly trained technicians and engineers to design, build, and maintain new machinery • The need for growing numbers of persons in the service industries, both public and private • The growth in the number of craftsmen and artists whose work is valued because it is individualistic and not made by machines • An increased employment in the areas of recreation and education

UNIT 5

THE AMERICAN LABOR FORCE – WHO IS INCLUDED AND HOW IT HAS CHANGED

Examines the makeup of the present labor force in the United States, discusses how it has changed over the past 20 years, and how it is predicted to change during the coming decade

OBJECTIVES

At the completion of this module students will be able to:

1 *Explain what is meant by the term labor force*

2 *Enumerate the historical effects of the changing patterns of work life on labor force participation rates (the proportion of the population employed or looking for work) and the composition of the work force*

3 *Recognize the predicted changes in the labor force for the next 10 years*

4 *Identify what kinds of work the American labor force does and how this has changed over time*

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CONTENT	INSTRUCTIONAL SUGGESTIONS
Labor Force (1)	Discuss with students the various definitions of the labor force. Identify the definition that comes closest to the real situation. Indicate the problems associated with each method of figuring the labor force. For example, should the number in the labor force be based on only those receiving pay or broadened to include unpaid workers such as volunteers. (Ref. A, pp. 127-165)

BACKGROUND INFORMATION

The U. S. Census Bureau bases their definition of the labor force on the results of a survey of a random sample of people who are asked to report themselves as being employed, unemployed, or not in the work force. Those who respond as either employed or unemployed but seeking work are counted as part of the labor force. The U. S. Census Bureau's definition is the one that is the most widely accepted.

Other authorities such as Messrs. Jaffe and Stewart feel that the working force should be all people who work regardless of whether or not they get paid for it. The labor force would then include housewives and volunteer workers who do not get paid for performing services.

CONTENT	INSTRUCTIONAL SUGGESTIONS	BACKGROUND INFORMATION
Effects of the Changing Patterns of Work on the Labor Force Participation Rates (2) • Historical Shifts (2)	Discuss with students reasons for shifts in the composition of the labor force considering the following: • Shorter hours and labor-saving devices making it easier for married women to work • Adjusting hours of work during times of tight labor markets to attract previously untapped sources of labor • Change in attitudes making it more acceptable for married women to be employed • The post World War II baby boom resulting in youth accounting for over 50 percent of the population during the 1960's. • Life expectancy of males lengthened by about 18 years since 1900 resulting in the number of people 65 and over increasing from 1 million in 1940 to 16.4 million in 1970 • Dramatic increase in educational attainment resulting in the years of schooling for the average worker changing from 8.7 years in 1940 to 12.6 years in 1970	There has been a dramatic increase in the number of working women, especially married women, particularly in the 60's. During this period, women entered the labor force three times as fast as men. Between 1947 and 1970, the participation rate (the proportion of the female population age 17 and older employed or looking for work) for females has risen from 31.8 to 43.4 percent while women in the total labor force increased from 27.4 to 36.7 percent. There has been a long term decline in the participation rate of young people. This is largely attributable to larger family incomes (youth do not have to go to work so soon), increased emphasis on education and rising educational attainment, and certain economic and legal barriers to the employment of youth. These factors have been offset somewhat by the post World War II baby boom which has resulted in workers between the ages of 16 and 24 making up more than half the labor force in the 1960's. Over a period of time there has been a long term decline in the participation of persons over age 65. As with the youth, this has been partially offset by the increase in the number of persons in this age category.
• Effect of Historical Shifts (2)		The overall labor force participation rate has changed little in this century. For example, since World War II it has ranged between 59 and 61 percent of the total noninstitutionalized population aged 16 and over. This stability has been the result of declines in some groups being balanced by increases in other groups.
• Composition of Labor Force in 1970 (2)		In 1970 an average of 85.9 million of the 140.2 million noninstitutionalized Americans aged 16 and older were in the labor force. Subtracting those in the armed forces, the civilian labor force averaged 82.7 million, of whom 78.6 million were employed. This means that there were an additional 54.3 million Americans in this age bracket who were outside the labor force. These include students, housewives, retired persons, and those who quit looking for work when they could not find it.

CONTENT	INSTRUCTIONAL SUGGESTIONS	BACKGROUND INFORMATION
• Specific Composition of Labor Force (2)	• Attaining and maintaining a higher standard of living resulting in wives and children being encouraged to work to supplement the income of the principal wage earner • The size of the labor force being affected by the business cycle (Ref. B, pp. 23-30, 55-69) *Additional material about the topic may be available from bulletins published by the Bureau of Labor Statistics of the U. S. Department of Labor.*	While the total number of men and women in the labor force at any given time is fairly stable, the particular people who are working or seeking work may vary. Much of this is due to seasonal employment, which draws workers to work temporarily and then causes them to leave the labor force at the end of the work season. According to a 1953 study, 25 percent of those in the labor force either occasionally withdrew from the labor force or only worked occasionally.
Predicted Changes in the Labor Force for the Next 10 Years (3)	Have the class predict what, if any, changes may take place in government programs, business, and industry as a result of the estimated changes in the composition of the labor force. Consider such predictions as: • Increased competition for available jobs because the 25 to 34 year olds are seeking career employment • Higher qualifications for both white collar and skilled labor positions as the number of jobs become scarce	According to the Bureau of Labor Statistics, 100 million Americans will be in the labor force by 1980. This means that more workers will be coming into the labor force (41 million) than will be leaving (26 million). Three groups will account for the 41 million increase in the supply of labor during the 70's: • About 34 million new, young workers will be looking for their first job • Nearly 6 million will be women who either delayed their entrance into the labor force or are returning to work after an absence (most frequently for the purpose of having and raising a family) • Over 1 million immigrants are expected to become part of the U. S. work force. During the same period three kinds of workers will reduce the labor force by 26 million. These include workers who die, retire and decide not to continue working for personal reasons such as illness.

CONTENT	INSTRUCTIONAL SUGGESTIONS	BACKGROUND INFORMATION
	• More concern for unemployment as an increasing number of principal wage earners lose their jobs • Increased competition for jobs among women workers • More government programs designed to help people get jobs and train for new ones with less emphasis on youth (under 25) and more help for young workers (25-34) • More emphasis on continuing education and less help for college training (Ref. C)	The net effect of these two somewhat offsetting changes will be a: • Tapering off of the huge increase of teenagers that took place in the 60's • Slowing down the rate of increase of the 20 to 24 year olds • Significant increase in the number of early career workers in the 25 to 34 year old group (by 1980 one of every four workers will be in this group) • Small decrease in the number of mid-career workers in the 35 to 44 year old group • Sharp slowdown in the growth rate of the number of workers 45 to 64 years of age, reflecting the comparatively small number of people born during the depths of the great depression • Leveling off in the number of workers beyond the usual retirement age of 65
Kinds of Work Performed and Changes Occurring (4) • Shift from Goods-producing to Service-producing Economy (4) • Shift from Blue-collar to White-collar Jobs (4)	Discuss with students causes for the shift from blue-collar jobs and from a goods-producing to service-producing economy. Relate this change to the national evaluation of the economy as the nation developed and became more and more industrialized. (Ref. A, pp. 137-142; Ref. B, pp. 64-65)	Around the turn of the century, seven of every 10 workers in America were engaged in some form of goods production, and only three in 10 workers were in the service industries. By 1950 this had shifted to just over five in every 10 workers were in the service industries and this increased to six in every 10 workers by 1968. It is projected that by 1980 almost seven in every 10 workers will be in service-producing industries. White-collar occupations are expected to continue a 50-year trend as the fastest growing occupational group. It is estimated that by 1980 over one-half of all employed workers will be in white collar occupations. Blue-collar workers will grow much more slowly and will account for almost one-third (32.7 percent) of the work force by 1980 (down from 36.3 percent in 1968). Farm workers will continue to decline as machines take over more and more of the production processes on the farm.

UNIT 5

MODULE 5

THE DEMAND FOR YOUR LABOR — WHERE IT COMES FROM AND WHAT HAPPENS WHEN IT CHANGES

Examines the factors which affect the demand for labor in this country and explains the effects of changes in this demand

OBJECTIVES

At the completion of this module students will be able to:

1 *Compare the demand for labor to the demand for goods and services*

2 *Enumerate the factors affecting the demand for labor*

3 *Explain how an employer theoretically determines whether or not to hire an additional worker*

4 *List two reasons the demand for labor is downward sloping*

5 *List reasons for shifts in the demand for labor*

6 *Enumerate the effects of these changes in the demand for labor such as unemployment, underemployment, and shortages*

7 *Illustrate why unemployment, underemployment, and shortages are of concern to the public and what can be done to correct such imbalances*

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CONTENT	INSTRUCTIONAL SUGGESTIONS
Comparison of Demand for Labor to Demand for Goods and Services (1)	Have students list ways in which they believe the demand for labor differs from the demand for commodities.
• Differences (1)	Analyze the demand for labor. (Ref. A, pp. 54-55; Ref. B, pp. 197-201; Ref. C pp. 135-139)

BACKGROUND INFORMATION

Workers are not generally hired by employers merely for the pleasure and satisfaction of having them around. Instead, they are hired because they are needed to help produce goods and services to satisfy the demands of consumers, other firms, or investors. Because the demand for labor is thus dependent on the demand for goods and services, it is often referred to as a derived or indirect demand. As a general rule, whenever the demand for goods and services changes, the demand for labor changes in the same direction. However, the amount the demand for labor changes depends on its relationship to the other factors of production. This is because

CONTENT	INSTRUCTIONAL SUGGESTIONS	BACKGROUND INFORMATION
• Differences (1) (cont'd)	*Additional materials relating to the topic may be obtained from the U.S. Department of Labor, Washington, D.C. 20210 or the New York State Department of Labor, Division of Research and Statistics, 2 World Trade Center, New York, N.Y. 10047.*	employers seldom hire only workers. Most production today requires the combining of several inputs including labor, machinery, and raw materials — and in many cases the number and kind of workers needed by a firm, industry, or even a country to meet a given demand or change in demand will depend on the availability of one of these other factors, for example, how many and what types of machines are in use.
• Distinctive Features (1)		There are a number of other characteristics which distinguish labor markets from commodity markets. First, is the social and personal impact of the functioning of this particular market. Unemployment affects both the families of workers and the communities in which they live. The stability of society may be seriously threatened if labor markets fail to provide regular and satisfying employment. With regards to the personal impact of the labor market, it is the only market in which some sort of accommodation is worked out between buyers and sellers which is not easily broken. Second, is the potential waste of unsold labor services. When a worker is unemployed, he cannot turn himself off and conserve hismelf for a later time. Instead, much of his potential contribution is lost forever. Third, is the absence of a standard unit of labor. In most commodity markets, the unit of exchange is simple and well-defined, be it a pound, a dozen, a ton, a bushel, or some similar measure. Hours of work, on the other hand, may vary widely in terms of quality and quantity of output, as the nature of different jobs varies widely. Fourth, is the absence of a uniform price. While in commodity markets establishment of a market price is critical to the functioning of the market, in labor markets workers receive a range of wage rates. Finally, there are limitations on market information. While financial and commodity markets are generally publicized daily in newspapers and magazines, the facts about labor supplies, demands, and current prices are not so available.
Factors Affecting the Demand for Labor (2)	Have students list the factors they believe affect the demand for labor.	The relationship between wages and the quantity of labor demanded is called the demand curve for labor. As with most other demand curves, it is downward sloping; increases in wages reduce the demand for workers while decreases in wages increase this demand provided
• The Wage Rate (2)		

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• The Wage Rate (2) (cont'd)	Illustrate graphically how the demand curve is derived. (Ref. A, pp. 56, 63, 67-68; Ref. B, pp. 201-202; Ref. C, pp. 130-132)	all else such as product demand and other costs of production remains constant. How much of an increase or decrease takes place depends on the slope of the curve or as it is also called, the elasticity of demand. This elasticity of demand is defined as the percentage change in employment that results from a one percent change in wages. The more elastic the curve (the flatter the slope) the greater the change in employment for each change in wages. On the other hand, the more inelastic the curve (the steeper the slope) the less the change.
• The Elasticity of Demand for Labor (2)		The elasticity of demand is determined by a number of factors. First, is the demand for the good or service being provided. For example, the demand curve for a doctor is fairly inelastic because he can charge a high price for his services without substantially reducing the demand for those services. On the other hand, someone like a beautician faces a fairly elastic demand because if she raises her prices very much more people will begin to do their own hair. Second, is the possibility of substituting something or someone else for labor. The greater the possibility of substituting something or someone else, the more elastic is the demand for labor. Again, looking at the beautician and the doctor, it would seem that people would have a great deal more trouble finding substitutes for the latter than for the former. Third, is the proportion of the total cost of the product or service accounted for by labor. In general, the smaller the part played by labor costs, the less elastic the demand for labor. This is because increases in wages in such a situation have only a slight effect on price, product demand, and thus the level of production. Finally, the elasticity of the demand for labor depends on the elasticity of the supply of other inputs such as equipment or raw materials. If a firm has a given number of machines requiring a given number of persons to operate them, then in the short run the demand for those workers is fairly inelastic. This changes for the long run as the machines can be replaced with others having different manning requirements.

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• The Productivity of Workers (2)		Wages are only one part in the determination of labor costs. These costs are also affected by the productivity of the workers employed. However, while much has been made about the effects of worker attitudes, interests, and efforts on productivity, the major determinants of this factor are the tools, equipment, management, and leadership available to employees.
Determining the Need for Additional Labor (3) • Theory of Marginal Productivity (3)	Ask students if they believe that the theory of marginal productivity is followed in practice. (Ref. A, pp. 55-59; Ref. B, pp. 202-207) Invite a local business representative to describe how a firm goes about calculating its demand for labor.	This theory assumes that whenever an employer is making the decision whether or not to hire an additional worker, he is seeking to maximize his profits. With this assumption in mind, the theory states that the employer will first estimate the change in output that will result from adding one more worker. Second, he multiplies this by the amount of money he can expect to get for the sale of this output. Finally, he compares this sum with the cost of hiring the additional worker. If the amount of money from the sale of the output is greater than the cost of hiring the additional worker, then he will hire that worker; if it is not, he will not hire the worker.
Reasons for the Downward Slope for the Demand of Labor (4) • Product Demand Affected by Wage Increases (4) • Law of Diminishing Returns (4)	Discuss and illustrate the law of diminishing returns. Consider the hiring of young people to mow a lawn. Up to a certain point the cost of hiring additional help is offset by the shorter time it takes to get the work done. Hiring more help after this point is reached, the venture begins to become less profitable because there are not enough tools to go around and the young people start getting in each other's way. (Ref. A, pp. 55-58)	An increase in wages generally means that the cost and thus the final price of a product must rise. Such a price rise causes the demand for the product to fall and with it the demand for labor. In addition, firms may begin to substitute machines for men if the price of the latter rises too far. After a certain point, with a given amount of machinery and raw materials, the more workers that are hired the less efficient each worker becomes. This is because there comes a point at which there is not enough equipment, space, or raw materials to use the additional man effectively and in fact, he begins to upset the operation of others. This is called the law of diminishing returns.

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Shifts in Demand for Labor (5) • Changes in Consumer Demands and Technology of Production (5)	Illustrate the effects of changes in demand with such examples as the introduction of digital calculators, full-size and compact cars, U.S. and foreign cars, and food prices. (Ref. A, pp. 67-69; Ref. C, pp. 139-142, 168-170)	As any economy develops, changes in consumer demands and technology cause output to expand rapidly in some industries and slowly or not at all in others. For example, agriculture, which once employed a substantial proportion of the U.S. population, has been steadily declining as a user of labor, both because consumers have a limited demand for food and because technological advances have resulted in a few people today being able to do the work of many persons 30-40 years ago. The relatively recent introduction of computerized bookkeeping systems resulted in certain types of workers such as bookkeeping and other record keepers to be replaced by other types of workers, specifically programmers and keypunch operators.
• Changes in Productivity (5)		The impact of differing increases in productivity on employment is twofold. First, it would seem that those industries experiencing large increases in productivity would experience declines in employment because fewer workers would be needed for production. However, this is often offset by the fact that gains in productivity may lead to lower per unit labor costs which may lead to lower prices which may in turn lead to greater product demand and ultimately may result in a greater demand for labor. Evidence appears to indicate that since World War II this is indeed what has happened.
Effects of Changes in Demand for Labor (6) • Categories of Unemployment and Underemployment (6) • Some Unemployment Unavoidable (6)	Discuss unemployment, underemployment, and shortages. (Ref. B, pp. 30-41) Invite a representative of the New York State Department of Labor to explain the State's concern for unemployment. *Audiovisual materials relating to this topic may be obtained from the New York State Department of Labor and the U.S. Department of Labor.*	Unemployment and underemployment can be categorized into such groups as the unemployed, persons not currently in the labor force (and thus not counted as unemployed) who would like to work, persons working fewer hours than they would like to because of reasons beyond their control, and persons whose present jobs are below their actual or potential skill level. Temporary surpluses or shortages of labor can always be expected as a result of job changes, plant closings, seasonal demands, development of new products, and changes in consumer and investor demands. As long as these surpluses and shortages are brief and moderate, there is little to worry about. Concern arises over long term or persistent occurrences.

CONTENT

- Correcting Temporary Labor Market Imbalances (6)

- Causes of Unemployment (6)

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There are several means of correcting labor shortages and surpluses. A very important one is the ongoing process of job changing. People are constantly leaving some jobs and taking others, sometimes within a firm and sometimes between firms. Further, many of these changes involve physical movement, be it from one plant to another, one city to another, or even one state to another. Such changes from areas of shortages play a major role in rebalancing the labor market. Another means involves training and retraining programs designed to update old skills or to provide persons with new skills for new jobs. Information about both current opportunities and future demands for labor is also very important for both correcting present imbalances and preventing future imbalances. Finally, attracting new industry to areas which have lost employers has been used to alleviate unemployment.

The causes of unemployment fall into four broad categories which are listed below:

- Cyclical unemployment which results from cyclical upswings and downturns in the economy. Recessions generally cause unemployment to rise while economic recoveries generally cause it to fall.
- Seasonal unemployment which affects mostly outdoor work such as construction and agriculture. Crops can only be planted and harvested during certain times of the year and much of the construction business must be carried on outside the winter months.
- Frictional unemployment which results from the impossibility of immediately matching available workers with available jobs. It is most commonly due to a lack of knowledge about available opportunities and is considered by most authorities to be relatively unavoidable.
- Structural unemployment is the most complex type of unemployment as it arises from changes in the composition of the demand for labor, often as a result of technological changes and automation. When such changes occur, certain segments of the labor force, particularly older workers who generally have a large investment in their skills and who are less mobile than their younger couterparts, find themselves urgently

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		in need of new skills or relocation to areas with an expanding demand for their labor. This type of unemployment tends to be the most serious of the four because of its long duration and the kind of persons it most often affects.
Public Concern and Corrective Measures for Unemployment, Underemployment, and Shortages (7)		
• Represents a Waste of Resources (7)		Unemployed and underemployed persons are not able to contribute to the economy up to their potential. Thus the amount of goods and services produced is less than it could be. In addition, unemployed and underemployed persons must often seek some form of public assistance in order to support themselves. Finally, because they are not earning up to their potential they cannot purchase as many goods and services as they might otherwise buy, which results in a reduced demand for such goods and services. Shortages, on the other hand, result in delays because needed manpower is not available and in higher costs because the price of the limited manpower that is available is bid up.
• Affects Those Least Able to Deal with the Problem (7)		Unemployment is high among women and particularly severe for younger workers, even if the economy is very strong. The latter is important because of the concern today about the effects of early job experiences on work attitudes and employment. Young workers and women are also often restricted to the lower level jobs which not only pay the least but also provide very limited protection in an economic slump. Older workers returning to the labor force often find their skills outmoded. Inadequate education and skill preparation and discrimination have resulted in a jobless rate for blacks which has run almost double the rate for whites since the early 1950's. The recent flight to the suburbs has aggravated the problem because many of the employers have also moved, leaving inner city dwellers with fewer job opportunities because of the lack of adequate transportation.

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• Corrective Measures (7)		The following measures are used to help alleviate the problems of unemployment and underemployment: • Training and retraining programs to provide new skills and update old ones • Improve educational opportunities, particularly vocational education • Work experience programs, especially for youth, so they can learn both what types of work are available and what it is like to hold a job • Improve labor market information to increase the chances of matching available jobs with available people • Improve transportation systems, particularly for persons in the inner cities • Enforcement of antidiscrimination laws and legislation • Planning and financial assistance to depressed communities • Subsidies to employers to hire and train workers